MEMORANDUM

TO:	Chief Financial Officers
	All State Departments and Agencies
FROM:	John J. Linderman, Director
	Office of Financial Management
DATE:	October 27, 1997
SUBJECT:	Policy and Recommended Procedures for Agency Correction of Errors
	and Monitoring the Accuracy of MAIN FACS Transaction Processing

I am issuing this policy memorandum and related procedures to provide guidance that will assist state agencies in establishing cost effective processes to help ensure the accuracy of transactions processed in MAIN FACS.

Statewide Policy

All state departments and agencies are required to establish and maintain processes that will ensure that errors in transaction processing will be identified and corrected promptly. Such processes should include, but not be limited to reviewing error reports, correcting errors identified, performing appropriate analytical procedures, and researching any items that require follow-up for resolution. These reviews must be made on a routine basis. The attached procedures describe the types and frequencies of review processes that should be followed.

Recommended Procedures

The attached procedures have been designed for broad application by all state departments and agencies. They have intentionally been written at a "summary" level, recognizing that there are a variety of operating circumstances that exist throughout the State. Although we realize that the practices described will need to be tailored and refined to fit your particular circumstances, the procedures should be considered the minimum necessary to ensure an effective process for monitoring the accuracy of transaction processing in MAIN FACS. They were developed by reviewing the "best practices" used by a number of state agencies studied over a three-month period, and they replace similar procedures issued May 2, 1995.

We recommend that you use these general procedures as the basis for developing detailed procedures that are specific to your agency. Detailed procedures designed specifically to meet the needs of your agency will allow your agency to specify: (1) the frequency for reviewing and correcting errors, (2) the individual MAIN reports, including specific report versions, for use in analytical reviews, and (3) the frequency and type of analytical and monitoring procedures that

are most appropriate for your agency.

These procedures do not include the "traditional" process of compiling and comparing batch totals to source documents; they have been designed for an on-line, real-time accounting system and processing environment. The recommended procedures reduce the risk of misstated financial information and loss of assets. We believe they will be efficient and cost-effective in our processing environment, because they have been developed recognizing that a number of other processing controls are in place. These processing controls, along with the automated system edits that are an integral part of MAIN FACS, and the monitoring procedures recommended in this directive, collectively constitute the State's process for identifying and correcting errors in transaction processing.

If you have questions regarding this memorandum, please contact me directly at 373-1010, or Mr. Leon E. Hank, Director, Financial Control Division at 373-1010.

Attachment

cc: M. Lannoye   P. Wippel
    L. Krieger   S. Weismiller
    D. Johnson   K. Smiley
    L. Pigue   Administrative Officers
    J. Blankenheim Chief Accountants

Procedures for Monitoring the Accuracy
of MAIN FACS Transaction Processing
October 1997

The following recommended procedures provide guidance that will assist agencies in monitoring the accuracy of transactions entered into MAIN FACS. The sections titled "general errors", "payment processing errors", and "other processing procedures" discuss specific processes and reports that should be used by each agency. Some flexibility has been allowed for the timing of these reviews so that agencies may design a schedule that is based on their size and volume of transactions. The sections titled "analytical procedures" are general guidelines for the type of procedures that should be performed. Agencies will need to develop a detailed plan that is tailored to fit their specific circumstances and processing environment.

General Monitoring Procedures

Approve transactions based upon source documents

Documents received from outside parties or other agencies are generally the source of data entered into MAIN FACS. MAIN FACS electronically sends the data through an approval process. The act of "releasing or approving" a transaction (typically performed by a supervisor) constitutes the primary review and approval of a transaction. By releasing a document, the approver certifies that the data entered into MAIN FACS is valid, complete, accurate and necessary for conducting the official business of the State. Before approvers release documents, they should compare the information in MAIN FACS against source documents, verify that the data has been entered accurately and that coding blocks used are appropriate. The approval process should be performed by individuals who possess knowledge sufficient to recognize errors or unusual

activity. Due diligence should be exercised at both the data entry level and the approval level.

Establish a routine for reviewing and correcting errors

Efficiency and effectiveness are increased by detecting errors and fixing them timely, as most staff will be more likely to remember transaction details, making resolution more likely. R*STARS is designed with several transaction-specific edits (e.g., it will not process a transaction and post it to the appropriate tables unless various edits are successfully passed and the transaction is balanced). System detected errors can be viewed on the 530 screen or by using the various RMDS error reports. The frequency of review should be based on the types of transactions an agency has and the volume of those transactions. If the volume of transactions is high, then reports should be reviewed on a daily basis. Agencies with a low volume of transactions can review the reports on a weekly basis. Listed below are brief descriptions of the 530 screen and some of the common RMDS error reports.

This list is not all inclusive. All the general error reports and payment processing error reports discussed below should be reviewed and errors corrected no less than weekly with daily review and correction encouraged. If you have trouble accessing the listed reports, please check with your agency report coordinator to establish access. Refer to the R*STARS Report Guide for a more detailed description of these reports and a complete listing of the available reports. The report guide does not address specific versions or timestamps that should be used. Your report coordinator can assist you with selecting the proper versions for your agency. When recalling control reports in RMDS, select option 3 - List Report Versions to view the timestamps for that report. Some of the control reports have two timestamps for each day. Select the timestamp that contains more than one page.

General Errors

530 View Batch Header Screen - The 530 screen shows the status of a batch at a summary level. Detail screens and reports must be used to get error messages. Review the 530 screen on a daily basis. When errors are not promptly corrected, the number of 530 screen entries can become voluminous, making the screen difficult to use. In this situation, use the DAFR6821 through DAFR6824 reports. These are summary level error reports that can be used by agency personnel and management to monitor the status of outstanding batches. Additional information about the 530 screen is available in your R*STARS Data Entry Guide.

DAFR2021 Batch Document Tracking Update (Control Report) - Interface agencies should review this report daily to locate transactions that had errors in the last batch cycle and did not post to any financial tables.

DAFR2151 R*STARS Error Report (Control Report) - Review this report on a daily basis. As a daily report, it will only show the last batch cycle errors. Uncorrected errors will not carry forward to the next day's report.

DAFR6230 Errors By Batch Agency And Error Type (Daily Report) - Review this report at least weekly but daily review is encouraged. This report shows errors that are in edit mode 3. This report has advantages over the DAFR2151 because it is cumulative and shows all errors as of the previous batch cycles. Error codes and messages correlate to the R*STARS 90 screen and will help to determine the cause of the error. There are statewide and agency specific versions that are run daily. This report can be sorted to only run for errors that are at least the specified number of days old. It can also be run in detail or in summary by error type and error code. See the R*Stars Report Guide for specific special selects.

DAFR6821 To DAFR6824 IT File Reports (Daily Reports) - These reports show transactions from the R*Stars 530 screen including errors that are as of the last batch cycle. Because the 530 screen may become voluminous, making it difficult to focus on problem transactions, these reports can help isolate problems. These reports are summary level reports that can be used by agency staff and management to monitor the status of batches.

Payment Processing Errors

DAFR3502 Payment Extract Error (Control Report) - Review this report at least weekly but daily review is encouraged. This report shows why payments have not been extracted for payment processing. A payment transaction will not be generated until these errors are corrected.

DAFR3601 Transactions With Negative Balances Or Greater Than Authorized Balances (Control Report) - Review this report at least weekly but daily review is encouraged. This report can help explain why old transactions are on the IT file in edit mode 2 or 4.

DAFR3620 Appropriated Fund Control Errors During Payment Processing (Control Report) - Review this report at least weekly but daily review is encouraged. This report can help to explain why items have not cleared the IT file as expected and why a payment transaction has not been generated. These errors will be in edit mode 2 or 4. This report shows error messages such as "available cash exceeded" and "allotment exceeded".

DAFR3801 Payment Redemption Error Report By Bank ID/Warrant Number (Control Report) - Review this report at least weekly but daily review is encouraged. Agencies who process a high volume of manual warrants are required to review this daily. This report provides a cumulative listing of all payments which have erred from the Payment Redemption processing cycle. These warrants have been cashed by the payee and Treasury has paid them, however, the payment redemption transaction which reduces cash cannot be processed. The report is organized by bank ID and shows payment processing errors for all warrants. Error types include L10, L11, L12, L17, & L22 errors. Treasury must research L12, L17, & L22 errors. L11 errors occur when the warrant clears the bank with an amount different than what is recorded in R*STARS. L10 errors represent all other types of mismatches that are not L11 errors. The most common type of L10 error occurs when a manual warrant is entered into R*STARS with an incorrect warrant number. Research and resolve the errors for bank IDs that are particular to your agency.

DAFR3821 Out-Of-System Payment Validation & Reconciliation - PFOS (Control Report) - Agencies that use PFOS (payments from other systems) should review this report daily after a transaction is sent to MAIN. This report will show PFOS payments sent to R*STARS via an interface. Detail is shown at the document level with input, output and rejected items shown. Rejected items must be corrected for processing to occur.

DAFR6220 Payroll Transactions In Error (Daily Report) - Review this report at least weekly but daily review is encouraged. This report will show any payroll errors. This report should also be reviewed no later than Friday before a payday. Errors need to be corrected by the following Monday.

Other Processing Procedures

Review and correct unique accounts timely

There are a number of areas in R*STARS that are unique in nature and require prompt review and correction to ensure system integrity. These areas and their related review and correction

procedures include:

Deposits Clearing Fund (D22 #4000) should be reviewed weekly, and any transactions more than two weeks old should be cleared. There are two key reports that can be used to clear items in the Deposits Clearing Fund. The DAFR8920 Daily Report - version 07 will give you a listing by TC or the DAFR8930 Daily Report will show detail at the document level.

Deposit Validation Screen (101 Screen) should be reviewed weekly for any deposit tickets, more than two weeks old, which Treasury has not approved. Follow up with Treasury on items more than two weeks old.

Comptroller objects that will not roll up properly will appear in the 4999 (governmental funds) or 9999 (proprietary funds) comptroller objects. These must be reclassified to appropriate comptroller objects. On a monthly basis, print the DAFR8590(governmental) or DAFR8600(proprietary). If there is a balance in GAAP subclass 4999(governmental) or 9999(proprietary), your agency has an error in usage of comptroller object code. Use the DAFR9670 - version 06 (D23 level) or version 05 (D68 level) to find the transactions that are not rolling up properly.

Review GL2951 monthly to see if there has been a net change from the prior fiscal year at the appropriated fund level. This is done at a summary level by comparing the 89 screen, for the most recent month, to month 13 of the prior fiscal year. Any changes must be offset by changes in other agencies, and these must be confirmed with them. Changes in this account that are not interagency adjustments generally indicate that only one of two offsetting entries has been recorded to this general ledger. These types of errors must be corrected.

Analytical Procedures - General

Analytical procedures are one of the most efficient ways of detecting errors in financial records. Analytical procedures should be performed by individuals that possess the skill and experience necessary to recognize unusual items or trends. The individual who analyzes reports at a transaction level must be familiar enough with that type of transaction to be able to recognize unusual entries. Performing analytical procedures on financial information such as trial balances or financial statements should be done by someone with both a broad perspective and corresponding responsibility. They should have a historical understanding of the unit being analyzed and be aware of agency organizational interrelationships. They should also be aware of any recent operational changes that have occurred and understand how they impact the financial statements. Because organizational structures differ from one agency to another, no one set of reports is most appropriate for performing analytical procedures. As a guide, examples of reports and related analytical procedures are listed below:

Analytical Procedures - Transactions

Perform analytical procedures at the transaction level on a daily or weekly basis while background information is available. Higher volumes of transactions generally require review on a daily basis. The reports listed below are commonly used. Refer to the R*STARS Report Guide for other reports which may more closely meet your agency's specific needs. Contact your agency report coordinator for assistance in obtaining access to the appropriate version. MIDB reports can also be used for this purpose. They are updated on a weekly basis.

DAFR8190 Transaction Registers By Organization, Program & Appropriation - Most of the versions within this report are agency specific. Check with your report coordinator to see if there is a version for your agency. Review this report for unusual transactions daily. This report is

similar to the DAFR8200 but has additional sort options. Examples of unusual transactions would be ones that repeat or are inconsistent with what you would expect for that coding block. Items that look unusual should be investigated further. Any errors found should be corrected.

DAFR8200 Daily Transaction Register - Review this report for unusual transactions daily. Examples of unusual transactions would be ones that repeat or are inconsistent with what you would expect for that coding block. Items that look unusual should be investigated further. Any errors found should be corrected. The DAFR8240 is a similar report which is run monthly or yearly.

DAFR7450 Appropriation Activity Description - This report is widely used by agencies. It currently is only available on a monthly basis. Review it for unusual transactions or transactions that have not been recorded in the proper coding block. There are many versions of this report. Check with your report coordinator for the versions that are appropriate for your agency.

DAFR7480 Appropriation Activity Summary - This is a summarized version of the DAFR7450. This report may be better for some agencies than the DAFR7450.

DAFR7880 Encumbrance Aging By Appropriation - Review this report either weekly or monthly, depending on the volume of activity. Look for old or unusual encumbrances that need to be liquidated.

DAFR8680 Detail Account Activity By Fund Report - This report is widely used by agencies. Daily, weekly and yearly versions of this report are available. Transactions should be reviewed daily unless your agency is small enough to justify only weekly review. Review this report for unusual transactions or transactions that have not been recorded in the proper coding block. There are many versions of this report. Check with your report coordinator for the versions that are appropriate for your agency.

PCHR ADPICS Reports- Review the following ADPICS reports biweekly. Agencies with a low volume of ADPICS documents may limit review to once a month. Unusual or old documents should be investigated and cleared as necessary:

      PCHR0210 Open Requisition Report
      PCHR0212 Open Purchase Order Report
      PCHR0325 Aged Open Payables
      PCHR0506 Unpaid Receivers Report

Analytical Procedures - Financial Information

Perform analytical procedures for financial information at the end of each quarter and at year-end. The reports listed below are commonly used. Refer to your R*STARS Report Guide for other reports that may also be appropriate. Refer to the Interim Review and Assessment Checklist for report versions (copy can be obtained from OFM):

      DAFR8580 Balance Sheet - All Fund Types And Account Groups
      DAFR8590 Operating Statement - Governmental Funds
      DAFR8600 Operating Statement - Proprietary Funds
      DAFR8920 General Ledger Fund Detail Trial Balance Report
      DAFR9670 Analysis Of Operating Revenues And Expenditures By Source

Compare current year amounts to prior year amounts. Look for fluctuations that cannot be explained. These may actually be coding or other errors which affect the balances. Some

conditions other than errors that would cause fluctuations are:

   a. Changes in recording methods (must have prior OFM approval).
   b. Changes in operating structure.
   c. Changes due to economic conditions.

Situations that may be the result of recording errors are:

   a. Items that were intended to be recorded separately this year are not shown in a new line item.
   b. Items that had balances last year should have balances this year but do not.
   c. New line items this year were not intended to be recorded separately.
   d. You expect an increase in a line item from last year but it has decreased or stayed the same.
   e. You expect a decrease in a line item from last year but it has increased or stayed the same.

Correct errors and document fluctuation for future reference.

Efficient and Effective Monitoring Methods

Monitoring efforts should be focused on those areas that have a high risk of error or that are susceptible to improper recording. Historical information will help to determine those areas that have traditionally been troublesome.

When monitoring items in MAIN FACS it is counterproductive to compare the system to itself. An example would be the comparing of RMDS reports to R*STARS screens. MAIN FACS generates both the reports and the R*STARS screens from the same data. If it appears that they do not agree, the most likely problem is that the data being compared is not equivalent. One set of data may be on a cash basis, and the other may be on a modified or full accrual basis. MAIN continually tests the integrity of the system. If you believe the system is not working properly, contact the MAIN Help Desk with details of your example.

When supporting systems exist in conjunction with MAIN FACS, focus your monitoring efforts on the initial recording of the source document to your supporting system. Monitoring effort that compares the supporting system to MAIN FACS will then be minimal. If the transfer of data is done electronically, use the interface reports to identify those transactions that did not interface properly. Perform periodic testing (semiannually or annually) of the interface process to verify that it is working properly. Some agencies manually enter data into MAIN FACS from reports generated by a supporting system. In this situation the testing can be done periodically, testing a sample of the data on a monthly basis, or if possible, comparing total output from the supporting system to total input in MAIN FACS. The method that will be the most effective will depend on how the data is structured.

Monitoring methods should be reviewed periodically to confirm that they remain efficient and effective. When new software is implemented, the monitoring methods relating to that process should also be reevaluated.